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**Appointments, Performance Review and Value for Money Committee**

**OPEN MINUTE ITEM ATTACHMENTS**

**Note:** The attachments contained within this document are for consideration and should not be construed as Council policy unless and until adopted. Should Councillors require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
Value for Money (s17A) Reviews 2018

Method & Approach

15 May 2018
Review Method & Approach

• Each review involves testing current service delivery, funding and governance arrangements
• The review evaluates services across the council group including the CCOs
• Our methodology uses a fact-based approach identifying future improvement opportunities
• The value for money concept considers both cost efficiency and effectiveness - financial and non financial benefits
• When we value an opportunity it is a very preliminary estimate and does not include the costs of implementation
• When we consider improvement options we focus on the:
  • public policy reason for the council's role,
  • councils performance against the baselines it sets itself in policy plans ad strategies
  • Public sector best practices and benchmarks if they are available and comparable
  • significance of the opportunity for council and for Aucklanders
Parks and open spaces

Value for Money (s17A) Review 2018

15 May 2018
Recommendations to Appointments, Performance Review and Value for Money Committees

Develop a parks value indicator to better support decision-making

There are no consistent measures of the benefits of parks and open spaces, or the cost of providing them.

A parks value indicator will improve transparency on the value each park provides to the community relative to other uses. It will help with consistent, more disciplined assessments of the relative performance of parks and open spaces (and could be extended to apply to all asset holdings).

A common information base would give decision-makers clear and consistent decision criteria by highlighting trade-offs, to go alongside clear communication of the broader strategic context and plan for land acquisition and disposal. This would help mitigate disputes and delays when the Governing Body, local boards and co-governance partners have different perspectives and priorities on parks and open spaces.

Recommendation
1. Develop a comprehensive parks value indicator framework to give decision-makers visibility of:
   - park use and the direct benefits to the users, and wider environmental, social, cultural and economic benefits
   - the opportunity cost of the asset (including the development and maintenance costs and the market value of land)
   - the ratio of utility/dollar value for each park asset as performance criteria, so those with a low ratio are reviewed for either development or considered for alternative use which should be the responsibility of each entity.
Recommendations (cont...)

Improve the process for divestment of non-service land

Park land which does not meet the requirements of the Parks Provision Policy is identified and marked for disposal on an ad-hoc basis. It is then subject to individual consultations with the local boards and their communities. While the policy is robust, its application and the overall disposal process is slow and cumbersome and very time-consuming.

The Long-term Plan (LTP) includes a target for divestment of non-service assets. To help meet this target, a complete plan should be developed for parks. This should be consulted on as part of the LTP/Annual Plan and in the context of planned acquisitions. The process should be improved with clear accountability for timely implementation and maximising returns, with regular progress reports. Being part of LTP consultation allows a broader and more transparent discussion of the choices with the community.

Recommendation
2. Develop a three-year rolling divestment plan for park land and open space that are non-service and do not meet provisioning policy and service requirements:
   • to be consulted on and agreed as part of the LTP and Annual Plan processes
   • with clear accountability for implementation of such a plan to contribute to LTP financial targets
   • within the context of desired or planned acquisitions to fund the development of parks in accordance with the provision policy where development contributions do not apply.
Recommendations (cont...)

Consistent approach to charging users of park land for transparency, greater equity and improved value

Clubs and other organisations pay peppercorn or below market rents for using parks. Peppercorn rents obscure how much subsidy is being provided and, together with long lease terms, hinder regular assessments of value to the community and equity between groups.

The council should review the use of peppercorn leases, rates remissions and loans to support users of park land and assess if there is an opportunity to align practices with good public policy principles.

Recommendation
3. Implement a consistent approach to charging users of, and operators in, parks and open spaces, to achieve greater transparency, fairness, and efficiency, and return on assets, with a particular focus on commercial operations and those competing with private providers.
Recommendations (cont...)

Review of City Parks to ensure it delivers the appropriate benefits to the council

Investment has been made in City Parks to become a full facilities maintenance provider with the objective to compete with private sector providers.

The council should review whether City Parks has the appropriate operating form and disciplines to deliver the financial and non-financial benefits in line with the council objectives and strategy.

Recommendation
4. Review the achievement of investment objectives and appropriate operating form for City Parks Services to ensure it will deliver the appropriate return on investment and other benefits to the council, and has all appropriate overheads priced in so it operates on a level playing field where it competes in the marketplace.
Opportunity impacts and dependencies

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Notes:
- Value proposition #1 is a key enabler for value proposition #2 supporting evidence-based decision-making.
- Value proposition #2 has a positive cash benefit over 10 years of between $200m and $600m.
- The estimates are cash-releasing benefits. That means the council Group will improve their cash flow from implementing the opportunity.
- Estimates are indicative of the order-of-magnitude of the opportunity, drawing on assumptions from the literature and experiences in other places. Their purpose is to establish the case for progressing options and associated business cases. In some cases, the evidence is strong; in others, the basis for assumptions is speculative.
Attachment A

Item 9

Group procurement

Value for Money (s17A) Review 2018

15 May 2018
Recommendations to Appointments, Performance Review and Value for Money Committees

Consolidate spend to deliver benefits to the Group

Develop a Group strategy to outline which activities will be Group activities and which should be the responsibility of each individual organisation.

This would then inform the annual procurement work programme. This can help eliminate wasteful duplication and deliver improved value.

Recommendations

1. Design and implement a procurement operating model to effectively enable the Group
   Procurement Policy and participation from the council and all its CCOs. It is anticipated that this
   will include:
   - key guiding principles
   - mandate to participate and use
   - consideration of appropriate operating models including centres of expertise and other shared
     arrangements
   - an agreed position on what procurement activities and spend categories should be
     collaborative Group procurement and which should be the responsibility of each entity
   - an agreed approach to develop procurement capability across the Group
   - an assessment of the most effective way to procure infrastructure
   - a plan for optimising duplicated functions such as contract management, spend analysis,
     reporting, technology, learning and development
   - a standard approach to monitoring, measuring and reporting.
Recommendations (cont...)

Lift SRM capability to mutually lower the cost of supply

Build effective and productive working relationship with suppliers that create a win-win for both the council and supplier.

A consistent SRM framework across the Group for the key suppliers (who supply multiple entities) will create the opportunity for innovation and unlock further value and benefit.

Recommendations
2. Design and implement a consistent, Group-wide SRM framework for identifying and managing key strategic supplier relationships, and consider assigning ownership of these to the Group’s executive teams.
Recommendations (cont...)

A more effective assessment of risk is required

Develop a consistent methodology for measuring and managing risk across the Group (noting that each entity will have different risk tolerances).

Forward planning and business units engaging Procurement earlier, will enable better risk assessment. The best risk management approach can be determined given the project, supplier market and contracting approach.

Recommendations
3. Design and implement a consistent, Group-wide procurement risk management framework for identifying, assessing and treating risks to allow the most appropriate procurement and financing approach to be adopted. This would acknowledge each entity’s differing risk profiles and governance structures.
Recommendations (cont...)

Hold Procurement and departments to account on delivering hard savings to contribute to efficiency targets in the LTP

The levels of soft and hard benefits achieved (and realised) should be a key measure of procurement success, but a clear focus on setting ambitious hard savings and tracking performance to plan is especially important given the financial pressure facing the Group.

Recommendations

4. Require all entities in the Group to establish an annual hard savings target for procurement and include this in the LTP budget, to be implemented by 30 June 2018 including:
   - requiring Procurement to deliver this target, with a minimum of 4:1 return on the level of investment in procurement
   - developing an annual Group sourcing plan
   - implement a Group procurement strategy and operating model
   - regularly reporting on progress.
Summary of potential value and dependencies

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**Notes**
- Value propositions #1, #2, and #3 are key enablers for achieving the savings target in #4.
- Value proposition #4 is incremental procurement benefit over 10 years and not total procurement savings target. Making the target visible and reported against will improve procurement effectiveness.
- The estimates are cash releasing benefits. That means the council Group will improve their cash flow from implementing the opportunity.
- Estimates are indicative of the order-of-magnitude of the opportunity, drawing on assumptions from the literature and experiences in other places. Their purpose is to establish the case for progressing options and associated business cases. In some cases, the evidence is strong; in others, the basis for assumptions is speculative.